




JOHN NAIMO  
AUDITOR-CONTROLLER

## COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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February 2, 2015

TO: Supervisor Michael D. Antonovich, Mayor  
Supervisor Hilda L. Solis  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe

FROM: John Naimo   
Auditor-Controller

SUBJECT: **DEPARTMENT OF MENTAL HEALTH – CONTROLS OVER COUNTY CREDIT CARDS**

As part of our ongoing responsibility to ensure that County resources are safeguarded and that departments comply with County fiscal policy and procedures, we have reviewed the Department of Mental Health's (DMH or Department) controls over its County-issued credit cards (CAL-Card), issued under the State CAL-Card Program. DMH employees use CAL-Cards to purchase/provide various emergency items for their clients, including food, clothes, short-term housing (e.g., motel), and other essential supportive services.

Our review was intended to assess DMH's compliance with applicable County guidelines, and included interviewing DMH personnel, evaluating the Department's internal controls over CAL-Cards, and reviewing CAL-Card transactions and monthly reconciliations. As of May 2014, DMH had 57 active CAL-Cards, and the card purchases totaled approximately \$257,000 and \$190,000 during Fiscal Years 2012-13 and 2013-14, respectively.

### **Summary of Findings**

Overall, DMH is complying with the CAL-Card guidelines and monitoring transactions to ensure they are appropriate. We also did not find any inappropriate card transactions during our review. However, we noted some areas where the Department needs to improve its procedures and controls. For example, we noted that DMH does not always cancel CAL-Cards when employees are terminated or when the cards are no longer

needed. In addition, the cardholders do not always obtain client signatures, as required by DMH policy. DMH's response indicates that they have taken corrective actions to address these issues.

Details of our findings and recommendations are included in Attachment I.

### **Review of Report**

We discussed our report with DMH management. They generally agreed with our findings and recommendations. DMH's attached response (Attachment II) describes the corrective actions they have taken to address the recommendations in our report.

We thank DMH management and staff for their cooperation and assistance during our review. If you have any questions, please contact me, or your staff may contact Robert Smythe at (213) 253-0100.

JN:AB:RS:YK

#### **Attachments**

- c: Sachi A. Hamai, Interim Chief Executive Officer  
Marvin J. Southard, D.S.W., Director, Department of Mental Health  
Department Heads  
Public Information Office  
Audit Committee

## **DEPARTMENT OF MENTAL HEALTH CONTROLS OVER COUNTY CREDIT CARDS**

### **Background**

The Department of Mental Health (DMH or Department) has 57 County-issued credit cards (CAL-Card), issued under the State CAL-Card Program. DMH employees use CAL-Cards to purchase/provide various emergency items for their clients, including food, clothes, short-term housing (e.g., motel), and other essential supportive services. During Fiscal Years 2012-13 and 2013-14, DMH personnel made approximately 5,900 and 4,300 CAL-Card purchases, totaling \$257,386 and \$189,949, respectively.

### **Scope**

We reviewed DMH's compliance with applicable County guidelines over the use of CAL-Cards. Our review included interviewing DMH personnel, evaluating the Department's internal controls over CAL-Cards, and reviewing CAL-Card transactions and monthly reconciliations.

## **COMMENTS AND RECOMMENDATIONS**

### **Credit Card Controls**

#### **Cardholder Assignments**

County Fiscal Manual (CFM) Section 4.4.5 requires departments to maintain a listing of staff who are assigned CAL-Cards, and cancel the cards when employees are terminated.

DMH does not maintain an updated list of staff with CAL-Cards, and does not always cancel the cards when employees leave the Department. Specifically, we noted that DMH's list included two employees who are no longer with the Department, and whose cards should have been canceled and deleted from the list.

In addition, we found that the Department received a newly requested CAL-Card for an employee in August 2013. However, as of May 2014, the employee had not picked up the card. The Department should only request CAL-Cards when needed.

### **Recommendations**

#### **Department of Mental Health management:**

- 1. Maintain an accurate CAL-Cards listing, and ensure cards are canceled immediately when employees leave the Department.**
- 2. Ensure CAL-Cards are only requested for employees when needed.**

**Annual Cardholder Review**

CFM Section 4.4.5 requires departments to evaluate the need for each CAL-Card at least annually, and cancel unused or unnecessary cards. We noted that DMH does not conduct this annual review. During our review, we noted that four (7%) of the 57 cardholders had not used their assigned CAL-Cards for over a year, including one card that had not been used since 2012. We also noted that one of the employees returned her CAL-Card in March 2013, but the card was not canceled as of May 2014. DMH would have identified these issues if they conducted the annual review.

**Recommendation**

- 3. Department of Mental Health management annually evaluate the need for each CAL-Card, and cancel unused/unnecessary cards.**

**Cardholder Purchases**

DMH's policy requires CAL-Card purchase receipts to include a client signature and identification number whenever DMH staff use the cards to purchase items for their clients. However, DMH staff did not obtain client signatures for 18 (8%) of the 215 CAL-Card purchases we reviewed. In addition, we noted numerous receipts without a client identification number.

**Recommendation**

- 4. Department of Mental Health management ensure cardholders obtain client signatures, and indicate a client identification number on purchase receipts.**

**Security**

CFM Section 4.4.5 requires departments to adequately secure CAL-Cards at all times. We found that DMH did not adequately secure two active cards that had been turned in for cancellation. Both of the cards were kept on top of a desk.

**Recommendation**

- 5. Department of Mental Health management ensure CAL-Cards are adequately secured at all times.**



LOS ANGELES COUNTY DEPARTMENT OF MENTAL HEALTH  
550 S. VERMONT AVE., LOS ANGELES, CA 90020 HTTP://DMH.LACOUNTY.GOV



MARVIN J. SOUTHARD, D.S.W.  
Director

ROBIN KAY, Ph.D.  
Chief Deputy Director

RODERICK SHANER, M.D.  
Medical Director

January 27, 2015

TO: John Naimo  
Auditor-Controller

FROM: Marvin J. Southard, D.S.W.  
Director

SUBJECT: **RESPONSE TO THE AUDITOR-CONTROLLER'S REVIEW OF THE  
DEPARTMENT OF MENTAL HEALTH'S CONTROLS OVER COUNTY  
CREDIT CARDS**

Attached is the Department of Mental Health's (DMH) response to the review conducted by your staff of our use of County-issued credit cards (CAL-Card). The DMH staff responsible for administering and managing our use of CAL-Cards strives to ensure the integrity of our program. As noted in the Report, the Auditor-Controller did not identify any inappropriate card transactions during the review. The attached response outlines the corrective action that staff have implemented to address areas of concern.

If you have any questions or need additional information, your staff may contact Margo Morales, Administrative Deputy at (213) 738-2891.

MJS:MM:KG:KSJ

Attachment

c: Dr. Robin Kay, Chief Deputy, DMH  
Margo Morales, Administrative Deputy, DMH

Attachment I

**DEPARTMENT OF MENTAL HEALTH  
CONTROLS OVER COUNTY CREDIT CARDS**

**RESPONSES TO COMMENTS AND RECOMMENDATIONS**

**Credit Card Controls**

**Cardholder Assignments**

County Fiscal Manual (CFM) Section 4.4.5 requires departments to maintain a listing of staff with CAL-Cards, and cancel the cards when employees are terminated.

DMH does not maintain an updated list of staff with CAL-Cards, and does not always cancel the cards when employees leave the Department. Specifically, we noted that DMH's list included two employees who are no longer with the Department, and whose cards should have been canceled and deleted from the list.

In addition, we found that the Department received a newly requested CAL-Card for an employee in August 2013. However, as of May 2014, the employee had not picked up the card. The Department should only request CAL-Cards when needed.

**Recommendations**

**Department of Mental Health management:**

- 1. Maintain an accurate CAL-Cards listing, and ensure cards are canceled immediately when employees leave the Department.**

***DMH Response 1***

DMH has implemented procedures to track CAL-Card users and ensure cards are cancelled immediately when an employee no longer requires a card or leaves the department. The Administrative Support Bureau's (ASB) Program Coordinator maintains a list of CAL-Card cardholders. The list is reconciled against the roster of active cardholders obtained from U.S. Bank. ASB distributes the list to the Age Group Liaisons on a quarterly basis to update any cardholder changes.

Effective July 16, 2014, DMH procedures require the ASB Program Coordinator to immediately cancel the CAL-Card upon receipt of a cancellation request. The requestor is provided with a copy of the print screen confirmation from U.S. Bank verifying card cancellation. The requestor is required to immediately return the cancelled card, with a copy of the cancellation verification, to the ASB Program Coordinator for destruction.

Attachment I

**2. Ensure CAL-Cards are only requested for employees when needed.**

***DMH Response 2***

All requests for issuance of a CAL-Card must be reviewed and approved by the employee's Mental Health Clinical Program Manager III (MHCPM III). The MHCPMIII is responsible for determining if the duties of the requesting employee warrant issuance of a CAL-Card.

**Annual Cardholder Review**

CFM Section 4.4.5 requires departments to evaluate the need for each CAL-Card at least annually, and cancel unused or unnecessary cards. We noted that DMH does not conduct this annual review. During our review, we noted that four (7%) of 57 cardholders had not used their assigned CAL-Cards for over a year, including one card that had not been used since 2012. We also noted that one of the employees returned her CAL-Card in March 2013, but the card was not canceled as of May 2014. DMH would have identified these issues if they conducted the annual review.

**Recommendation**

**3. Department of Mental Health management annually evaluate the need for each CAL-Card, and cancel unused/unnecessary Cards.**

***DMH Response 3***

DMH has implemented procedures requiring annual review of card use. Staff also conducts mid-year and year-end evaluations of employee CAL-Card use to ensure that unused/unnecessary CAL-Card(s) are collected from the holder, cancelled, noted in the system, and submitted to ASB for destruction in a timely manner.

**Cardholder Purchases**

DMH's policy requires CAL-Card purchase receipts to include a client signature and identification number whenever DMH staff use the cards to purchase items for their clients. However, DMH staff did not obtain client signatures for 18 (8%) of 215 CAL-Card purchases we reviewed. In addition, we noted numerous receipts without a client identification number.

**Recommendation**

- 4. Department of Mental Health management ensure cardholders obtain client signatures, and indicate a client identification number on purchase receipts.**

***DMH Response 4***

DMH has implemented a process for the provision of monthly reminders to all CAL-Card holders, their supervisors and managers on the procedures pertaining to the use of CAL-Cards. This reminder includes step-by-step instructions on the requirement to obtain client receipts with appropriate signatures, include tracking logs and client identification numbers with the submission package. The reminder also advises the cardholders of the consequences if guidelines are not followed, which include cancellation of their participation in the program. Administrative staff checks each submission upon receipt to ensure the appropriate client signatures and/or a guardian signature for minors is present, and follows up directly with the cardholder if any required information is missing. ASB staff monitors and conducts internal reviews to ensure appropriate signatures and client identification numbers are included with the submission package.

**Security**

CFM Section 4.4.5 requires departments to adequately secure CAL-Cards at all times. We found that DMH did not adequately secure two active cards that had been turned in for cancellation. Both of the cards were kept on top of a desk.

**Recommendation**

- 5. Department of Mental Health management ensure CAL-Cards are adequately secured at all times.**

***DMH Response 5***

DMH has implemented procedures requiring that all CAL-Cards be stored in a locked drawer and/or lockbox at all times. Access to keys and/or the lockbox combination for the storage location is limited to the program coordinator and their back-up.